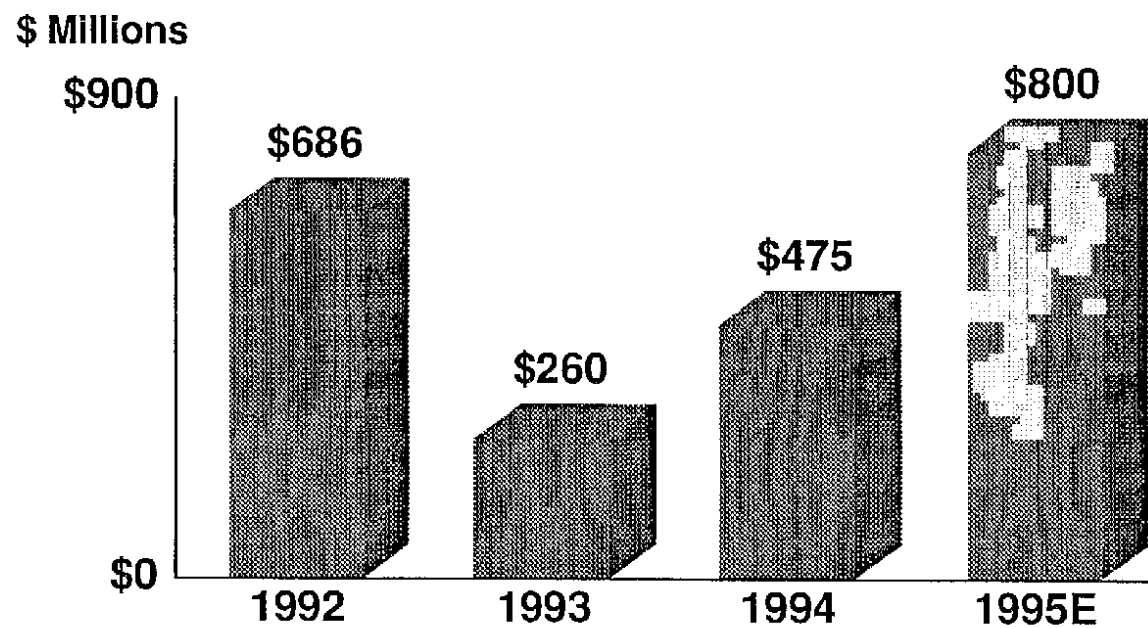


Alfred

PM USA

B&W operating profit is forecast to rise sharply due to the acquisition of ATC.



PM USA

B&W's merger with ATC provides a high degree of financial flexibility, affording B&W both profit growth and marketing spending increases. GPC is expected to receive a large portion of synergy savings generated by the merger.

B&W/ATC Merger Implications

- **Financial flexibility**
 - Profit growth and marketing spending increases
- **Synergy will generate an estimated \$150 million in 1995 and an additional \$70 million in 1996. (\$220 million in total)**
- **GPC is likely to receive a large portion of these additional funds to expand price promotion and media.**

PM USA

B&W has the financial flexibility to increase GPC's price promotion spending in 1995 to achieve its volume, share and distribution objectives. As a result, net contribution (total \$) is likely to be flat.

| | <u>1995</u> | <u>1994</u> | <u>% Change</u> |
|--|----------------------|--------------|-----------------|
| Unit Volume (Billions) | 28.6 | 26.8 | 6.7% |
| Marginal Contribution (\$ Millions) | \$610 | \$575 | 6.1% |
| <u>Direct Marketing Expense</u> | | | |
| Media (inc. Production) | \$20 | \$18 | 11.1% |
| Merchandising | \$50 | \$47 | 6.4% |
| Promotion | \$225 ⁽¹⁾ | \$200 | 12.5% |
| POS | \$5 | \$4 | 25.0% |
| <i>Total DME</i> | <u>\$300</u> | <u>\$267</u> | 12.4% |
| DME Per M | \$10.49 | \$9.96 | 12.4% |
| Net Contribution | \$310 | \$310 | 0.0% |
| Net Contribution Per M | \$10.84 | \$11.57 | (6.3)% |

(1) 75% of GPC volume @ \$2.10 per carton.

Note: Assumes no pricing in 1995.

PM USA

GPC comments made by Tom Sandefur (Former B&W CEO) during his testimony at the FTC trial concerning the ATC acquisition.

- **GPC is B&W's future**
- **Volume is projected to reach 30 billion by 1999**
- **GPC profit contribution will equal Kool in 1999**
- **Recently upgraded blend to "B&W's very best quality"**
- **Red & White packaging selected to appeal to Marlboro smokers**
- **Sales reps have spending flexibility**
- **Price gap is critical to GPC success. Seek to maintain 30% difference**
- **Compete on a platform other than price by increasing equity building efforts**